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COMMISSIONER

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**THREE MALPRACTICE COMPANIES IN LIQUIDATION**

Tennessee Commissioner of Commerce and Insurance Paula A. Flowers received court approval to liquidate three Tennessee-chartered malpractice firms that insure thousands of lawyers, doctors, counselors and medical facilities nationwide.

The Davidson County Chancery Court converted the existing receiverships of American National Lawyers Insurance Reciprocal (ANLIR), Doctors Insurance Reciprocal (DIR) and The Reciprocal Alliance (TRA) into liquidation proceedings, concluding that all three are insolvent, cannot be rehabilitated, and that their continued operation would be hazardous to policyholders, creditors and the public.

The situation of all three malpractice insurance companies is essentially the same. The three Tennessee-chartered reciprocal companies have no employees or infrastructure of their own, were operated by a Richmond, Virginia-based The Reciprocal Group, and were substantially re-insured by Richmond, Virginia-based Reciprocal of America. Virginia insurance officials have declared that ROA and TRG are "deeply insolvent" and have filed for liquidation of those firms.

Based on the financial information available, Tennessee officials have concluded that ANLIR's known liabilities exceed its assets by at least \$35.9 million, DIR's known liabilities exceed its assets by at least \$71.2 million, and TRA's deficiency is at least \$25.5 million. In each case, the Special Deputy Receivers appointed for each of the firms believe there may be millions more in additional claims against the firms.

The companies provided malpractice coverage to thousands of doctors, lawyers, school counselors and medical facilities nationwide. At the time they entered state receivership, ANLIR had 14,642 subscribers, DIR had 3,690 and TRA had 17,393. Subscribers can be a single person or an entire law firm or physician office or professional association.

The Deputy Receivers are continuing their legal actions before Virginia's State Corporation Commission regarding what they believe are the commingled assets of the three Tennessee-chartered reciprocals and the Virginia-domiciled ROA and TRG. Also at issue is a \$57 million trust account believed to have been created by ROA to benefit the three Reciprocal companies. The assets in that account have been removed by Virginia insurance officials.

Under the terms of the court order, all policies of the three companies expire July 3. The three Deputy Receivers are retained as Deputy Liquidators for the companies, and will continue to pursue the companies' assets and determine the status of claims and the classification of creditors of the companies. Notice of the procedures and deadlines for filing claims will be provided to all policyholders and known creditors.

Copies of the liquidation orders can be found on the TDCI website at <http://www.state.tn.us/commerce/insurance/reciprocols/pdf/finANLIROrder060403.pdf>  
<http://www.state.tn.us/commerce/insurance/reciprocols/pdf/finDIROrder060403.pdf>  
<http://www.state.tn.us/commerce/insurance/reciprocols/pdf/finTRAOrder060403.pdf>

Additional information regarding this ongoing controversy may be found on the TDCI website: <http://www.state.tn.us/commerce/insurance>